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USWEST

DOCKET FILE COPY ORIGINAL

September 13, 1996

EX PARTE PRESENTATION

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket Nos. 96-98 and 95-185; Telephone Number Portability, CC Docket No. 95-116

Dear Mr. Caton:

On September 12, 1996, Richard D. McCormick, Chairman, CEO and President of U S WEST, Inc.; H. Laird Walker, Senior Vice President, Federal Relations, U S WEST, Inc.; and the undersigned met with Federal Communications Commission Chairman Reed Hundt and Chairman Hundt's Senior Legal Advisor John Nakahata concerning the above-referenced proceedings. In accordance with Commission Rule 1.1206(a)(1), attached please find two copies of written message points that were left with Chairman Hundt and Mr. Nakahata during the meeting that summarize the points presented by U S WEST. The copies of the message points are being filed with your office for inclusion in the public records for the proceedings.

Acknowledgment and date of receipt of this transmittal are requested. A copy is provided for this purpose. Please contact me if you have questions.

Sincerely,

Lawrence E. Sarjeant

attachments

cc: Chairman Reed E. Hundt
John Nakahata

WHAT IS WRONG WITH THE FCC'S INTERCONNECTION ORDER

The order undermines the Act's resale pricing standard (retail less costs avoided) by requiring local telephone companies to rebundle all of the unbundled elements of retail local exchange services and reprice them on the basis of long run incremental costs

The order undermines the Act's preference for negotiated interconnection agreements

The order violates the Act by permitting interexchange carriers that use a RBOC's unbundled elements to jointly market interexchange and local services before the RBOC enters the InterLATA interexchange business

The FCC's interim number portability decision is an unfunded mandate

IMMEDIATE IMPACTS ON U S WEST

The requirement to unbundle and rebundle retail local exchange services creates tremendous arbitrage opportunities for new entrants with respect to the purchase of retail services and unbundled elements

U S WEST must begin incurring hundreds of millions of dollars in costs in order to comply with number portability, access to operations support systems, provisioning of unbundled elements and other requirements imposed by the FCC's interconnection decisions with virtually no ability to recover its up front costs

The order has placed downward pressure on U S WEST Communications' stock value as analysts gain a better understanding of the onerous interconnection rules imposed on local telephone companies

The order removes the incentive for pursuing negotiated interconnection agreements

LONG TERM IMPACTS ON U S WEST

The unbundling and rebundling provisions of the order devalue local networks and are a disincentive for telephone company infrastructure investment and the introduction of new technologies

The order places billions in revenues at risk beginning in 1997 and deprives U S WEST of a fair opportunity to recover its costs and be profitable

The order requires U S WEST to be a construction company for other carriers, constrains its ability to make prudent network investments and creates massive stranded investment exposure

WHAT THE FCC SHOULD DO

Reverse its decision to deny local telephone companies the opportunity to recover their booked costs in interconnection prices and allow the states to set interconnection prices

Require carriers that purchase unbundled elements to interconnect their own loop or switch facilities with the incumbent local telephone company

Provide local telephone companies with reasonable and expeditious methods for recovering costs incurred to satisfy interconnection requirements

Reverse its decision to require local telephone companies to construct facilities for competitors

Grant U S WEST's stay request